

<b>Committee(s):</b> Policy, Resources and Economic Development Committee	<b>Date:</b> 14 September 2022
<b>Subject:</b> Seven Arches Investments Limited Quarterly Report	<b>Wards Affected:</b> All
<b>Report of:</b> Jonathan Stephenson, Chief Executive	<b>Public/Exempt Appendix</b>
<b>Report Author/s:</b> Name: Jacqueline Van Mellaerts, Corporate Director (Finance & Resources) Telephone: 01277 312500 E-mail: Jacqueline.vanmellaerts@brentwood.gov.uk	<b>For Information</b>

### Summary

This report presents the Seven Arches Investments Limited (SAIL) quarterly update to shareholders and provides management updates on the owned and managed commercial properties.

### Main Report

#### **Introduction and Background**

1. At an Extraordinary Council meeting held on 21 March 2018, the creation of Seven Arches Investments Limited (SAIL) was approved and the shareholder's powers delegated to the Policy, Projects and Resources Committee. Subsequently SAIL was registered with Companies House on 12 April 2018.
2. In accordance with the Shareholder's Agreement, a quarterly management and business update is to be provided to Policy, Resources and Economic Development Committee.

#### **Quarterly update**

3. In accordance with the requirements of the Shareholder's Agreement, SAIL's Quarterly report is included at Appendix A.

#### **References to Corporate Plan**

4. This fits with the Council's 'Delivering an efficient and effective council' priority, to explore new income generating ideas and opportunities.

## **Implications**

### **Financial Implications**

**Name & Title: Jacqueline Van Mellaerts, Corporate Director (Finance & Resources) and S151 Officer**

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5. Although this report has no direct financial implications. It should be noted that Seven Arches Investments Limited will provide a substantial income stream to Council which is included within its Medium-Term Financial Strategy.
6. SAIL will deliver these returns by following two streams of activity. Securing Investments opportunities commissioned through a specialist property consultancy; as well as launching a Joint Venture partnership for medium to longer term investment with potentially higher yield returns from year 6. Investments do carry a degree of risk and SAIL has reviewed its business plan to demonstrate its sustainability. The Business Plan identifies that annual investment plans are carried out; quarterly health checks will be presented to their shareholders and individual assets management plans are completed for each asset.
7. SAIL has in place a loan facility agreement of £60m with the Council, which was approved in October 2019. Currently the full £60 has been utilised. This returns to the shareholder (Brentwood Council) approximately £2.4m per annum by providing loans to SAIL at a commercial rate, as well as a further £450k for provision of services. SAIL also undertakes the lettings of residential properties and returns the income to the Council less SAIL's costs.

### **Legal Implications**

**Name & Title: Claire Mayhew, Corporate Manager, Corporate Manager (Democratic Services) & Deputy Monitoring officer**

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8. The Council has power under s1(1) of the Localism Act 2011 to do anything which individuals may do provided it is not prohibited by legislation and subject to public law principles ('the general power of competence'). Further statutory powers exist to create and invest in SAIL and s1 of the Local Government Act 2003 permits the Council to borrow and lend. The recommendations set out in this report are in accordance with decisions previously taken by Council for establishing and implementing the business.
9. Members should be mindful of their fiduciary duty to ratepayers, when approving these investment(s). Local authorities have a fiduciary duty to act prudently with public monies entrusted to them and must establish that it has been given due and proper consideration in accordance with the normal public law principles.

10. Providing the additional funding required will require an additional loan agreement to be put in place for the Council to deploy funding into SAIL. Such agreement will need to reflect any conditions attached to the original funding source. It is recommended that these terms are agreed and included in any financial modelling ahead of the Council releasing further funding to SAIL and in a form approved by Legal Services.
11. The Council will have a requirement to meet its repayment terms to its own lenders, irrespective of the performance of the Council's lending to SAIL. The risks to the Council, as lender, are minimised by the terms of the loan agreements, the Council's oversight of the running of SAIL as its sole shareholder and governance measures implemented through the shareholder reserved matters.

### **Economic Implications**

**Name & Title: Phil Drane, Director of Place**

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12. Commercial income supports the Council's services, including economic development activities. SAIL can also increase investment and opportunities into the borough either directly or indirectly.

### **Background papers**

None

### **Appendices to this report**

- Appendix A: SAIL June Quarter 22 – Management/Business Update